

## Unemployment Insurance Computation Formulas

### BENEFITS

Weekly Benefit Amount Section 383-22(b), HRS	= highest quarter wages / 21
Highest quarter wage Section 383-22(b), HRS	= quarter in claimant's base period with the highest wages
Maximum potential benefits Section 383-24, HRS	= Weekly Benefit Amount x 26
Maximum Weekly Benefit Amount Section 383-22(b), HRS	= statewide average weekly wage x 75% (2008-2010) = statewide average weekly wage x 70% (from 2011)
Statewide average weekly wage Section 383-22(b), HRS	= total wages / average monthly employment / 52 (contributing employer employment and wages for most recent FY)

### TAXES

Taxable Wage Base Section 383-61(b), HRS	= statewide average annual wage x 100%
Statewide average annual wage Section 383-61(b), HRS	= total wages / average monthly employment (contributing employer employment and wages for most recent FY)
Adequate Reserve Fund amount Section 383-63, HRS	= highest benefit cost rate in last 10 years x total wages (2008-2010) highest benefit cost rate in last 10 years x total wages x 1.5 (from 2011)
Benefit cost rate Section 383-63, HRS	= total benefits / total wages
Current Reserve Fund amount Section 383-63, HRS	= Fund balance on November 30
Ratio of Current to Adequate Reserve Fund Section 383-68(c), HRS (used to determine tax schedule)	= Current Reserve Fund / Adequate Reserve Fund

Ratio	Tax Schedule
>1.69	A
1.3-1.69	B
1.0-1.29	C
0.8-0.99	D
0.6-0.79	E
0.4-0.59	F
0.2-0.39	G
<0.2	H

Reserve Ratio  
Section 383-67, HRS

= employer's end of year reserve balance / average annual payroll

Reserve balance  
Section 383-63, HRS

= all contributions paid minus all benefits charged to employer account

Average annual payroll  
Sections 383-61, 383-63, 383-67, HRS

= employer's annual taxable payroll for last three calendar years / 3

Employer's contribution rate for CY  
Section 383-68(d), HRS

= rate on Contribution Rate Schedules table for schedule in effect for CY

SCHEDULE	A	B	C	D	E	F	G	H
Ratio Current to Adequate Reserve:	>1.69	1.3 - 1.69	1.0 - 1.29	0.8 - 0.99	0.6 - 0.79	0.4 - 0.59	0.2 - 0.39	<0.2
RESERVE RATIO	CONTRIBUTION RATES							
.1500 and over	0.0%	0.0%	0.0%	0.2%	0.6%	1.2%	1.8%	2.4%
.1400 to .1499	0.0%	0.0%	0.1%	0.4%	0.8%	1.4%	2.0%	2.6%
.1300 to .1399	0.0%	0.0%	0.2%	0.6%	1.0%	1.6%	2.2%	2.8%
.1200 to .1299	0.0%	0.1%	0.4%	0.8%	1.2%	1.8%	2.4%	3.0%
.1100 to .1199	0.0%	0.2%	0.6%	1.0%	1.4%	2.0%	2.6%	3.2%
.1000 to .1099	0.1%	0.3%	0.8%	1.2%	1.6%	2.2%	2.8%	3.4%
.0900 to .0999	0.3%	0.5%	1.0%	1.4%	1.8%	2.4%	3.0%	3.6%
.0800 to .0899	0.5%	0.7%	1.2%	1.6%	2.0%	2.6%	3.2%	3.8%
.0700 to .0799	0.7%	0.9%	1.4%	1.8%	2.2%	2.8%	3.4%	4.0%
.0600 to .0699	0.9%	1.1%	1.6%	2.0%	2.4%	3.0%	3.6%	4.2%
.0500 to .0599	1.1%	1.3%	1.8%	2.2%	2.6%	3.2%	3.8%	4.4%
.0300 to .0499	1.3%	1.5%	2.0%	2.6%	3.0%	3.6%	4.2%	4.8%
.0000 to .0299	1.7%	1.9%	2.4%	3.0%	3.4%	4.0%	4.6%	5.2%
-.0000 to -.0499	2.1%	2.3%	2.8%	3.4%	3.8%	4.4%	5.0%	5.4%
-.0500 to -.0999	2.5%	2.7%	3.2%	4.0%	4.4%	5.0%	5.4%	5.4%
-.1000 to -.4999	2.9%	3.1%	3.6%	4.6%	5.0%	5.4%	5.4%	5.4%
-.5000 to -.9999	3.4%	3.6%	4.2%	5.2%	5.4%	5.4%	5.4%	5.4%
-1.0000 to -1.4999	4.1%	4.2%	4.8%	5.4%	5.4%	5.4%	5.4%	5.4%
-1.5000 to -1.9999	4.7%	4.8%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
-2.0000 and less	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Ineligibles	1.7%	1.9%	2.4%	3.0%	3.4%	4.0%	4.6%	5.2%
Ineligible-Negative Reserve	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Delinquents	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%

## Hawaii Unemployment Compensation Fund Financing/Solvency Alternatives

### Effects of Act 110

#### A. Adequate Reserve Fund

- For calendar years 2008 through 2010, the formula for computing the adequate reserve was reduced from an amount equal to benefits for one and a half years at the highest cost rate in the last ten years, to an amount equal to one year's benefits.
- The ratio of the fund balance at the end of each November to the adequate reserve amount determines the tax schedule for the next year.
- This change resulted in the lowest tax schedule A being in effect for calendar years 2008 and 2009. Employer tax rates were significantly reduced and 30% of employers paid no taxes.

	Rate Year 2008	Rate Year 2009	Rate Year 2010 (Estimated)
High Cost Rate	1.46%	1.44%	2.23%
Pre-Act 110 formula: 1.5 x HCR x total wages	\$374,784,167	\$385,231,534	\$571,500,000
<b>Act 110: HCR x total wages</b>	<b>\$249,856,112</b>	<b>\$256,821,022</b>	<b>\$381,000,000*</b>
Decrease in Adequate Reserve Fund amount	\$124,928,055	\$128,410,512	\$190,500,000

\*Actual to be determined in late December.

#### B. Taxable wage base

- The taxable wage base was reduced, from 100% of the average annual wage, to \$13,000 for calendar years 2008 and 2009.
- The taxable wage base is the maximum annual wages upon which employers pay unemployment insurance (UI) taxes per employee.
- The wage base would have been \$36,200 in 2008 and \$37,700 in 2009.
- The wage base will revert to the 100% of average annual wage formula for 2010 due to the fund balance falling below the adequate level at the end of November 2009.
- Under the usual formula, UI taxes are paid on approximately 68-69% of all wages. At the \$13,000 wage base, taxes were paid on only 36-37% of all wages.
- The combination of the lower tax schedules and lower wage bases are estimated to have cut UI taxes by \$50 million in 2008 and \$100 million in 2009.

	CY 2008	CY 2009	CY 2010
Statewide average annual wage (SAAW)	\$36,209.17	\$37,718.93	\$38,750.59
Pre-Act 110 formula: 100% of SAAW	\$36,200	\$37,700	\$38,800
<b>Act 110: \$13,000</b>	<b>\$13,000</b>	<b>\$13,000</b>	<b>\$38,800*</b>
Decrease in TWB under Act 110	\$23,200	\$24,700	\$0

\*Fund balance is below the adequate reserve at the end of November 2009, reverting the TWB to the 100% of SAAW formula.

#### C. Partial earnings disregard

- Partial earnings disregarded for claimants working short hours was permanently increased from \$50 to \$150 beginning in 2008.

- Claimants whose earnings for a week are less than their weekly benefit amount (WBA) may receive benefits for that week but their WBA is reduced by the amount of their wages that exceeds \$150.
- This provision allows claimants to collect more benefits during weeks of low earnings, but does not increase the total amount of benefits they may receive during their benefit year. Total regular benefit entitlement during a claimant's benefit year remains at 26 times their weekly benefit amount.
- This change is estimated to increase benefits by 1% due to claimants who receive more but not all of their entire benefit entitlement during their benefit year. Claimants who exhaust all their benefit entitlement receive the same amount of total benefits, but exhaust earlier in their benefit year.

#### D. Maximum weekly benefit amount

- The highest (maximum) weekly benefit amount (MWBA) in effect for a calendar year was increased from 70% to 75% of the statewide average weekly wage for calendar years 2008 through 2010.
- A claimant's weekly benefit amount is computed as their wages during the highest quarter of earnings divided by 21. If this amount is greater than the MWBA, it is limited to the MWBA.
- For calendar years 2008 through 2010 the maximums were \$523, \$545 and \$559. Without this provision, the maximums would have been \$488, \$509, and \$522 respectively.
- The MWBA is set for each calendar year and is applied to claimants beginning a new benefit year during that calendar year.
- This provision remains in effect for calendar year 2010 and reverts to the 70% formula from calendar year 2011.
- This change is estimated to have increased benefits by 2.5%.

	CY 2008	CY 2009	CY 2010
Statewide average weekly wage (SAWW)	\$696.33	\$726.36	\$745.20
Pre-Act 110 formula: 70% of SAWW	\$488	\$509	\$522
<b>Act 110: 75% of SAWW</b>	<b>\$523</b>	<b>\$545</b>	<b>\$559</b>
Increase in MWBA under Act 110	\$35	\$36	\$37

## **General Discussion of Fund Financing/Solvency Alternatives to Current Law**

### **A. Lower tax schedules**

#### Discussion:

- The ratio derived by dividing the fund balance at the end of each November by the Adequate Reserve Amount determines the tax schedule for the coming year based on tables in the UI law, Chapter 383-68, HRS.
- The law must be amended to change the method used to determine the schedule that will be in effect for a year.
- Law changes could be enacted to:
  1. Retain the schedule computation formulas, but set the schedule for a year to no higher than a specific schedule, such as E for 2010 or G for 2011. If the computation were such that a lower schedule is the computed schedule, that schedule would be in effect. If a higher schedule were the computed schedule, it would be reduced based on the special provision; and/or
  2. Continue to reduce the Adequate Reserve Fund amount to the equivalent of one year of high cost, rather than revert to the one and a half years formula.
- UI tax rates are individually computed once a year for each employer based on their wage, benefit and contribution history. Tax rates for each employer are determined in mid-March and apply to wages paid during the calendar year. Taxes on the first quarter wages are due by the end of April.
- It would be very problematic for the current UI Tax mainframe computer system to accommodate more than one tax rate per employer for a calendar year, or change rates after the initial determination. Therefore, any law changes should allow for the tax schedule for a calendar year to be determined by mid-March of that year. And only one tax schedule should be set for a calendar year.

#### Pros:

- Employer taxes are reduced.

#### Cons:

- Fund balance will be lower exposing Hawaii to greater risks of insolvency.
- Fund balance will remain negative for a longer time and may require Hawaii to receive federal loans to continue to pay benefits.
- Interest will accrue on federal loans and employers' federal unemployment (FUTA) taxes may increase due to the loss of FUTA tax credits.

### **B. Lower taxable wage base**

#### Discussion:

- The taxable wage base can be set at a lower amount by changing the percent used in the annual computation (i.e., less than 100%) or the base can be set at a specific dollar amount as was done under Act 110.

- Under the usual formula, unemployment insurance taxes are paid on approximately 68-69% of all wages. At the \$13,000 wage base, taxes were paid on only 36-37% of all wages.
- Lower wage bases do not benefit (cut taxes for) employers who pay wages less than the wage base. Employers of high wage earners benefit (receive tax reductions) from any provision to lower the wage base.

Pros:

- UI taxes are reduced for employers whose workers are paid annual wages higher than the taxable wage base.

Cons:

- Fund balance will be lower exposing Hawaii to greater risks of insolvency.
- Fund balance will remain negative for a longer time and may require Hawaii to receive federal loans to continue to pay benefits.
- Interest will accrue on federal loans and employers' federal unemployment (FUTA) taxes may increase due to the loss of FUTA tax credits.

### C. Lower benefits

Discussion:

- The formula for computing the maximum weekly benefit amount will automatically revert to 70% of the statewide average weekly wage in calendar year 2011. Act 110 had set the percentage at 75% for calendar years 2008 through 2010
- Benefits may be lowered by: 1) cutting claimant's weekly benefit amounts; and/or 2) cutting the maximum weeks of benefits allowed. Act 110 did not change the formulas for these computations.
- A claimant's total regular benefit entitlement is currently 26 times their computed weekly benefit amount (WBA). This is the equivalent of 26 weeks of benefits at the full WBA. Total benefit entitlement could be reduced to a lower multiplier, for example, 20 times WBA.

Pros:

- Fund balance will be higher.
- Fund balance will remain negative for a shorter time.
- Employer taxes may be reduced due to higher fund balances.

Cons:

- Claimant benefits are reduced providing them less money to pay non-deferrable expenses such as housing and food costs.
- Less money is circulated into the economy.
- Federally funded extended benefits are usually set at 50% of regular benefit entitlement. Therefore, if Hawaii's total benefits entitlement was reduced from 26 to 20 times weekly benefit amount, the claimant's federal extended benefit entitlement would also decrease, from 13 to 10 times WBA (or 10 full weeks instead of 13).

## **Sample alternatives and effects on UI fund**

Ten sample alternative changes that could be made to the UI law to cut taxes were analyzed.

See Alternative to UI Tax Increase / Department of Labor and Industrial Relations / 4-Year Projections (2010-2011-2012-2013) for a summary of the effects of the ten alternatives.

Detailed trust fund projections for these alternatives follow.

As possible changes could include a multitude of variations and/or combinations of the alternatives shown, these are presented as a starting point for refinement into proposals that will meet fund solvency as well as policy objectives.

The alternatives presented are:

Alternative 1: Set Schedule E from 2010 through 2013

Alternative 2: Set Schedule E in 2010, then revert to current law

Alternative 3: Set Schedule E in 2010, Schedule G in 2011, then revert to current law

Alternative 4: Change Adequate Reserve formula from 1.5 to 1 times high cost rate

Alternative 5: Set Schedule E in 2010, Schedule G in 2011, change Adequate Reserve formula from 1.5 to 1 times high cost rate (Combination of Alternatives 3 and 4)

Alternative 6: Change Taxable Wage Base formula from 100% to 50% of average annual wage

Alternative 7: Cut maximum total benefits from 26 to 20 times weekly benefit amount

Alternative 8A: Change Maximum Weekly Benefit Amount (MWBA) formula back to 70% of average weekly wage (AWW) from 2010 (will automatically change back in 2011)

Alternative 8B: Change MWBA formula to 60% of AWW from 2010

Alternative 8C: Change MWBA formula to 50% of AWW from 2010

# Hawaii Unemployment Compensation Fund Projections 2009 through 2013 - Current Law

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR (unadj)	IUR	13-wk Avg Claims	Hawaii Unemployment Compensation Fund				Adequate Reserve Fund	Avg Tax Rate	Taxable Wage Base	Avg Taxes @TWB
				INCOME Taxes	OUTGO Interest	BALANCE					
Projected from 4th quarter 2009											
2009											
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022			
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*				
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*				
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000		Schedule A		
CY 2009	7.4%	3.50%	20,400	42,100,000	12,100,000	383,200,000	125,200,000*		0.7%	\$13,000	\$90
2010											
1st Qtr		3.70%	21,200	5,000,000	300,000	99,000,000	31,500,000	385,000,000			
2nd Qtr		3.75%	21,400	107,000,000	300,000	102,000,000	36,800,000				
3rd Qtr		3.80%	21,700	93,000,000	300,000	104,000,000	26,100,000				
4th Qtr		3.70%	21,200	71,000,000	0	102,000,000	-4,900,000		Schedule F		
CY 2010	8.1%	3.74%	21,400	276,000,000	900,000	407,000,000	-4,900,000		2.75%	\$38,800	\$1,070
2011											
1st Qtr		3.50%	20,000	50,000,000	0	96,000,000	-50,900,000	581,000,000			
2nd Qtr		3.50%	20,000	160,000,000	0	95,000,000	14,100,000				
3rd Qtr		3.50%	20,100	138,000,000	400,000	96,000,000	56,500,000				
4th Qtr		3.50%	20,100	105,000,000	600,000	96,000,000	66,100,000		Schedule H		
CY 2011	7.5%	3.50%	20,100	453,000,000	1,000,000	383,000,000	66,100,000		3.90%	\$39,100	\$1,520
2012											
1st Qtr		3.10%	17,800	74,000,000	800,000	86,000,000	54,900,000	611,000,000			
2nd Qtr		3.10%	17,800	167,000,000	700,000	86,000,000	136,600,000				
3rd Qtr		3.10%	17,900	145,000,000	1,500,000	87,000,000	196,100,000				
4th Qtr		3.10%	17,900	111,000,000	2,300,000	88,000,000	221,400,000		Schedule H		
CY 2012	6.6%	3.10%	17,900	497,000,000	5,300,000	347,000,000	221,400,000		3.90%	\$40,100	\$1,560
2013											
1st Qtr		2.75%	15,900	77,000,000	2,700,000	78,000,000	223,100,000	638,000,000			
2nd Qtr		2.75%	15,900	147,000,000	2,700,000	79,000,000	293,800,000				
3rd Qtr		2.75%	16,000	128,000,000	3,500,000	79,000,000	346,300,000				
4th Qtr		2.75%	16,000	98,000,000	4,200,000	80,000,000	368,500,000		Schedule G		
CY 2013	5.9%	2.75%	16,000	450,000,000	13,100,000	316,000,000	368,500,000		3.30%	\$41,000	\$1,350

\*Title IX (Reed Act) distribution, Feb 2009: \$2,180,480

\*Title IX (Reed Act) withdrawal, Apr 2009: \$6,850,055

\*ARRA UI Modernization received, Jun 2009: \$10,175,575

\*Title IX (Reed Act) withdrawal, Jun 2009: \$1,040,607

\*Title IX (Reed Act) withdrawal, Jul 2009: \$250,995

\*ARRA UI Modernization, Aug 2009: \$20,351,150

\*Title IX (Reed Act) withdrawal, Aug 2009: \$450,096

\*Title IX (Reed Act) withdrawal, Sep 2009: \$724,364

TUR = Total Unemployment Rate, not seasonally adjusted (2008 rates revised March 2009)

IUR = Insured Unemployment Rate; week including the 12th of the month

13-Wk Avg Claims: 13 week moving average claims for State Unemployment programs, used for IUR, excludes federal and extended benefits

Avg Taxes @TWB = Taxes on employee with annual wages at or above the taxable wage base at average tax rate; actual tax rates range from zero to 5.4%.

## Summary:

Based on unemployment increasing through 3rd quarter 2010 (June 2009 UHERO forecast), the fund is projected to go into the negative from December 2010 through the first quarter of 2011.

Taxes will increase in 2010 and 2011 resulting in a positive balance by the end of 2011.



**ALTERNATIVE 1: Schedule E from 2010 through 2013**

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR (unadj)	IUR	13-wk Avg Claims	Hawaii Unemployment Compensation Fund				Adequate Reserve Fund	Avg Tax Rate	Taxable Wage Base	Avg Taxes @TWB
				INCOME Taxes	OUTGO Interest	BALANCE					
Projected from 4th quarter 2009											
2009											
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022			
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*				
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*				
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000		Schedule A		
CY 2009	7.4%	3.50%	20,400	42,100,000	12,100,000	383,200,000	125,200,000*		0.7%	\$13,000	\$90
2010											
1st Qtr		3.70%	21,200	5,000,000	200,000	99,000,000	31,400,000	385,000,000			
2nd Qtr		3.75%	21,400	86,000,000	100,000	102,000,000	15,500,000				
3rd Qtr		3.80%	21,700	74,000,000	0	104,000,000	-14,500,000				
4th Qtr		3.70%	21,200	57,000,000	0	102,000,000	-59,500,000		Schedule E		
CY 2010	8.1%	3.74%	21,400	222,000,000	300,000	407,000,000	-59,500,000		2.20%	\$38,800	\$850
2011											
1st Qtr		3.50%	20,000	40,000,000	0	96,000,000	-115,500,000	581,000,000			
2nd Qtr		3.50%	20,000	90,000,000	0	95,000,000	-120,500,000				
3rd Qtr		3.50%	20,100	78,000,000	0	96,000,000	-138,500,000				
4th Qtr		3.50%	20,100	59,000,000	0	96,000,000	-175,500,000		Schedule E		
CY 2011	7.5%	3.50%	20,100	267,000,000	0	383,000,000	-175,500,000		2.20%	\$39,100	\$860
2012											
1st Qtr		3.10%	17,800	42,000,000	0	86,000,000	-219,500,000	611,000,000			
2nd Qtr		3.10%	17,800	94,000,000	0	86,000,000	-211,500,000				
3rd Qtr		3.10%	17,900	82,000,000	0	87,000,000	-216,500,000				
4th Qtr		3.10%	17,900	63,000,000	0	88,000,000	-241,500,000		Schedule E		
CY 2012	6.6%	3.10%	17,900	281,000,000	0	347,000,000	-241,500,000		2.20%	\$40,100	\$880
2013											
1st Qtr		2.75%	15,900	44,000,000	0	78,000,000	-275,500,000	638,000,000			
2nd Qtr		2.75%	15,900	98,000,000	0	79,000,000	-256,500,000				
3rd Qtr		2.75%	16,000	85,000,000	0	79,000,000	-250,500,000				
4th Qtr		2.75%	16,000	65,000,000	0	80,000,000	-265,500,000		Schedule E		
CY 2013	5.9%	2.75%	16,000	292,000,000	0	316,000,000	-265,500,000		2.20%	\$41,000	\$900

**Summary:**

If the tax schedule is set at E for calendar years 2010 through 2013:

Taxes will range from \$220 to \$290 million per year.

The fund balance will remain negative through 2013, reaching a \$266 million deficit at the end of 2013.

Federal loans can be used to continue to pay benefits when the fund is depleted.

Interest, which cannot be paid from the fund, will be due by September of each year beginning in 2011. This may involve a special tax assessment on employers.

Interest due, estimated by multiplying the end of September fund balance by a 4.6% annual interest rate is:

September 2011: \$6 million

September 2012: \$10 million

September 2013: \$12 million

When a state has an outstanding balance on January 1 of two consecutive years, federal unemployment tax credits are reduced: the first year, by 0.3%, and increased by an additional 0.3% for each following year that the loan balance remains.

**ALTERNATIVE 2: Schedule E in 2010 then Current Law**

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR	IUR	13-wk	Hawaii Unemployment Compensation Fund				Adequate		Taxable	Avg Taxes
	(unadjusted)		Avg	INCOME	OUTGO	BALANCE	Reserve		Avg Tax Rate	Wage Base	@TWB
			Claims	Taxes	Interest		Fund				
Projected from 4th quarter 2009											
2009											
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022			
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*				
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*				
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000		Schedule A		
CY 2009	7.4%	3.50%	20,400	42,100,000	12,100,000	383,200,000	125,200,000*		0.7%	\$13,000	\$90
2010											
1st Qtr		3.70%	21,200	5,000,000	200,000	99,000,000	31,400,000	385,000,000			
2nd Qtr		3.75%	21,400	86,000,000	100,000	102,000,000	15,500,000				
3rd Qtr		3.80%	21,700	74,000,000	0	104,000,000	-14,500,000				
4th Qtr		3.70%	21,200	57,000,000	0	102,000,000	-59,500,000		Schedule E		
CY 2010	8.1%	3.74%	21,400	222,000,000	300,000	407,000,000	-59,500,000		2.20%	\$38,800	\$850
2011											
1st Qtr		3.50%	20,000	40,000,000	0	96,000,000	-115,500,000	581,000,000			
2nd Qtr		3.50%	20,000	160,000,000	0	95,000,000	-50,500,000				
3rd Qtr		3.50%	20,100	138,000,000	0	96,000,000	-8,500,000				
4th Qtr		3.50%	20,100	105,000,000	0	96,000,000	500,000		Schedule H		
CY 2011	7.5%	3.50%	20,100	443,000,000	0	383,000,000	500,000		3.90%	\$39,100	\$1,520
2012											
1st Qtr		3.10%	17,800	74,000,000	0	86,000,000	-11,500,000	611,000,000			
2nd Qtr		3.10%	17,800	167,000,000	100,000	86,000,000	69,600,000				
3rd Qtr		3.10%	17,900	145,000,000	700,000	87,000,000	128,300,000				
4th Qtr		3.10%	17,900	111,000,000	1,300,000	88,000,000	152,600,000		Schedule H		
CY 2012	6.6%	3.10%	17,900	497,000,000	2,100,000	347,000,000	152,600,000		3.90%	\$40,100	\$1,560
2013											
1st Qtr		2.75%	15,900	77,000,000	1,400,000	78,000,000	153,000,000	638,000,000			
2nd Qtr		2.75%	15,900	147,000,000	1,600,000	79,000,000	222,600,000				
3rd Qtr		2.75%	16,000	128,000,000	2,200,000	79,000,000	273,800,000				
4th Qtr		2.75%	16,000	98,000,000	2,700,000	80,000,000	294,500,000		Schedule G		
CY 2013	5.9%	2.75%	16,000	450,000,000	7,900,000	316,000,000	294,500,000		3.30%	\$41,000	\$1,350

**Summary:**

If the tax schedule is set at E for calendar year 2010 and the current law thereafter:

Taxes will range from \$220 to \$500 million per year.

The fund balance will remain negative through first quarter 2012.

Federal loans can be used to continue to pay benefits when the fund is depleted.

Interest, which cannot be paid from the fund, will be due by September of 2011. This may involve a special tax assessment on employers.

Interest due, estimated by multiplying the end of September fund balance by a 4.6% annual interest rate is:

September 2011: \$1 million

**ALTERNATIVE 3: Schedule E in 2010, Schedule G in 2011, then Current Law**

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR	IUR	13-wk Avg	Hawaii Unemployment Compensation Fund				Adequate		Taxable	Avg Taxes
	(unadjusted)		Claims	INCOME	OUTGO	BALANCE	Reserve		Avg Tax Rate	Wage Base	@TWB
				Taxes	Interest		Fund				
Projected from 4th quarter 2009											
2009											
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022			
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*				
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*				
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000		Schedule A		
CY 2009	7.4%	3.50%	20,400	42,100,000	12,100,000	383,200,000	125,200,000*		0.7%	\$13,000	\$90
2010											
1st Qtr		3.70%	21,200	5,000,000	200,000	99,000,000	31,400,000	385,000,000			
2nd Qtr		3.75%	21,400	86,000,000	100,000	102,000,000	15,500,000				
3rd Qtr		3.80%	21,700	74,000,000	0	104,000,000	-14,500,000				
4th Qtr		3.70%	21,200	57,000,000	0	102,000,000	-59,500,000		Schedule E		
CY 2010	8.1%	3.74%	21,400	222,000,000	300,000	407,000,000	-59,500,000		2.20%	\$38,800	\$850
2011											
1st Qtr		3.50%	20,000	40,000,000	0	96,000,000	-115,500,000	581,000,000			
2nd Qtr		3.50%	20,000	136,000,000	0	95,000,000	-74,500,000				
3rd Qtr		3.50%	20,100	117,000,000	0	96,000,000	-53,500,000				
4th Qtr		3.50%	20,100	89,000,000	0	96,000,000	-60,500,000		Schedule G		
CY 2011	7.5%	3.50%	20,100	382,000,000	0	383,000,000	-60,500,000		3.30%	\$39,100	\$1,290
2012											
1st Qtr		3.10%	17,800	63,000,000	0	86,000,000	-83,500,000	611,000,000			
2nd Qtr		3.10%	17,800	167,000,000	0	86,000,000	-2,500,000				
3rd Qtr		3.10%	17,900	145,000,000	0	87,000,000	55,500,000				
4th Qtr		3.10%	17,900	111,000,000	600,000	88,000,000	79,100,000		Schedule H		
CY 2012	6.6%	3.10%	17,900	486,000,000	600,000	347,000,000	79,100,000		3.90%	\$40,100	\$1,560
2013											
1st Qtr		2.75%	15,900	77,000,000	800,000	78,000,000	78,900,000	638,000,000			
2nd Qtr		2.75%	15,900	174,000,000	800,000	79,000,000	174,700,000				
3rd Qtr		2.75%	16,000	151,000,000	1,700,000	79,000,000	248,400,000				
4th Qtr		2.75%	16,000	115,000,000	2,500,000	80,000,000	285,900,000		Schedule H		
CY 2013	5.9%	2.75%	16,000	517,000,000	5,800,000	316,000,000	285,900,000		3.90%	\$41,000	\$1,600

**Summary:**

If the tax schedule is set at E for calendar year 2010, G for calendar year 2011, and the current law thereafter:

Taxes will range from \$220 to \$490 million per year.

The fund balance will remain negative through second quarter 2012.

Federal loans can be used to continue to pay benefits when the fund is depleted.

Interest, which cannot be paid from the fund, will be due by September 2011. This may involve a special tax assessment on employers.

Interest due, estimated by multiplying the end of September fund balance by a 4.6% annual interest rate is:

September 2011: \$2 million

**ALTERNATIVE 4: Current Tax Schedule provisions; change Adequate Reserve from 1.5x to 1x**

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR (unadj)	IUR	13-wk Avg Claims	Hawaii Unemployment Compensation Fund				Adequate Reserve Fund	Avg Tax Rate	Taxable Wage Base	Avg Taxes @TWB
				INCOME Taxes	OUTGO Interest	BALANCE					
Projected from 4th quarter 2009											
2009											
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022			
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*				
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*				
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000	Schedule A			
CY 2009	7.4%	3.50%	20,400	42,100,000	12,100,000	383,200,000	125,200,000*	0.7%	\$13,000	\$90	
2010											
1st Qtr		3.70%	21,200	5,000,000	200,000	99,000,000	31,400,000	385,000,000			
2nd Qtr		3.75%	21,400	107,000,000	300,000	102,000,000	36,700,000				
3rd Qtr		3.80%	21,700	93,000,000	200,000	104,000,000	25,900,000				
4th Qtr		3.70%	21,200	71,000,000	0	102,000,000	-5,100,000	Schedule F			
CY 2010	8.1%	3.74%	21,400	276,000,000	700,000	407,000,000	-5,100,000	2.75%	\$38,800	\$1,070	
2011											
1st Qtr		3.50%	20,000	50,000,000	0	96,000,000	-51,100,000	388,000,000			
2nd Qtr		3.50%	20,000	160,000,000	0	95,000,000	13,900,000				
3rd Qtr		3.50%	20,100	138,000,000	500,000	96,000,000	56,400,000				
4th Qtr		3.50%	20,100	105,000,000	500,000	96,000,000	65,900,000	Schedule H			
CY 2011	7.5%	3.50%	20,100	453,000,000	1,000,000	383,000,000	65,900,000	3.90%	\$39,100	\$1,520	
2012											
1st Qtr		3.10%	17,800	74,000,000	800,000	86,000,000	54,700,000	408,000,000			
2nd Qtr		3.10%	17,800	142,000,000	700,000	86,000,000	111,400,000				
3rd Qtr		3.10%	17,900	123,000,000	1,300,000	87,000,000	148,700,000				
4th Qtr		3.10%	17,900	94,000,000	1,800,000	88,000,000	156,500,000	Schedule G			
CY 2012	6.6%	3.10%	17,900	433,000,000	4,600,000	347,000,000	156,500,000	3.30%	\$40,100	\$1,320	
2013											
1st Qtr		2.75%	15,900	65,000,000	1,900,000	78,000,000	145,400,000	426,000,000			
2nd Qtr		2.75%	15,900	120,000,000	1,700,000	79,000,000	188,100,000				
3rd Qtr		2.75%	16,000	106,000,000	2,300,000	79,000,000	217,400,000				
4th Qtr		2.75%	16,000	81,000,000	2,600,000	80,000,000	221,000,000	Schedule F			
CY 2013	5.9%	2.75%	16,000	372,000,000	8,500,000	316,000,000	221,000,000	2.75%	\$41,000	\$1,130	

**Summary:**

If the tax schedule provisions are left unchanged but the Adequate Reserve Fund amount is changed from 1.5 to 1 times the High Cost Rate:

Taxes will range from \$275 to \$450 million per year.

The fund balance will be negative from 4th quarter 2010 through 1st quarter 2011.

Lower tax schedules will be in effect for 2012 (G instead of H) and 2013 (F instead of G).

**ALTERNATIVE 5 (Combine Alt 3 & 4): Schedule E in 2010, Schedule G in 2011, change Adequate Reserve from 1.5x to 1x**

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR	IUR	13-wk	Hawaii Unemployment Compensation Fund				Adequate		Taxable	Avg Taxes
			Avg	INCOME		OUTGO	BALANCE	Reserve	Avg Tax Rate	Wage Base	@TWB
	(unadjusted)		Claims	Taxes	Interest			Fund			
Projected from 4th quarter 2009											
2009											
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022			
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*				
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*				
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000		Schedule A		
CY 2009	7.4%	3.50%	20,400	42,100,000	12,100,000	383,200,000	125,200,000*		0.7%	\$13,000	\$90
2010											
1st Qtr		3.70%	21,200	5,000,000	200,000	99,000,000	31,400,000	385,000,000			
2nd Qtr		3.75%	21,400	86,000,000	100,000	102,000,000	15,500,000				
3rd Qtr		3.80%	21,700	74,000,000	0	104,000,000	-14,500,000				
4th Qtr		3.70%	21,200	57,000,000	0	102,000,000	-59,500,000		Schedule E		
CY 2010	8.1%	3.74%	21,400	222,000,000	300,000	407,000,000	-59,500,000		2.20%	\$38,800	\$850
2011											
1st Qtr		3.50%	20,000	40,000,000	0	96,000,000	-115,500,000	388,000,000			
2nd Qtr		3.50%	20,000	136,000,000	0	95,000,000	-74,500,000				
3rd Qtr		3.50%	20,100	117,000,000	0	96,000,000	-53,500,000				
4th Qtr		3.50%	20,100	89,000,000	0	96,000,000	-60,500,000		Schedule G		
CY 2011	7.5%	3.50%	20,100	382,000,000	0	383,000,000	-60,500,000		3.30%	\$39,100	\$1,290
2012											
1st Qtr		3.10%	17,800	63,000,000	0	86,000,000	-83,500,000	408,000,000			
2nd Qtr		3.10%	17,800	167,000,000	0	86,000,000	-2,500,000				
3rd Qtr		3.10%	17,900	145,000,000	0	87,000,000	55,500,000				
4th Qtr		3.10%	17,900	111,000,000	600,000	88,000,000	79,100,000		Schedule H		
CY 2012	6.6%	3.10%	17,900	486,000,000	600,000	347,000,000	79,100,000		3.90%	\$40,100	\$1,560
2013											
1st Qtr		2.75%	15,900	77,000,000	800,000	78,000,000	78,900,000	426,000,000			
2nd Qtr		2.75%	15,900	147,000,000	800,000	79,000,000	147,700,000				
3rd Qtr		2.75%	16,000	128,000,000	1,500,000	79,000,000	198,200,000				
4th Qtr		2.75%	16,000	98,000,000	2,000,000	80,000,000	218,200,000		Schedule G		
CY 2013	5.9%	2.75%	16,000	450,000,000	5,100,000	316,000,000	218,200,000		3.30%	\$41,000	\$1,350

**Summary:**

If the tax schedule is set at E for calendar year 2010, G for calendar year 2011, and the adequate reserve formula changed from 1.5 to 1x high cost rate:

Taxes will range from \$220 to \$490 million per year.

The fund balance will remain negative through second quarter 2012.

Federal loans can be used to continue to pay benefits when the fund is depleted.

Interest, which cannot be paid from the fund, will be due by September 2011. This may involve a special tax assessment on employers.

Interest due, estimated by multiplying the end of September fund balance by a 4.6% annual interest rate is:

September 2011: \$2 million

**ALTERNATIVE 6: Change Taxable Wage Base formula from 100% to 50% of average annual wage**

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR (unadj)	IUR	13-wk Avg Claims	Hawaii Unemployment Compensation Fund				Adequate Reserve Fund	Avg Tax Rate	Taxable Wage Base	Avg Taxes @TWB
				INCOME Taxes	OUTGO Interest	BALANCE					
Projected from 4th quarter 2009											
2009											
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022			
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*				
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*				
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000		Schedule A		
CY 2009	7.4%	3.50%	20,400	42,100,000	12,100,000	383,200,000	125,200,000*		0.7%	\$13,000	\$90
2010											
1st Qtr		3.70%	21,200	5,000,000	200,000	99,000,000	31,400,000	385,000,000			
2nd Qtr		3.75%	21,400	81,000,000	100,000	102,000,000	10,500,000				
3rd Qtr		3.80%	21,700	58,000,000	0	104,000,000	-35,500,000				
4th Qtr		3.70%	21,200	47,000,000	0	102,000,000	-90,500,000		Schedule F		
CY 2010	8.1%	3.74%	21,400	191,000,000	300,000	407,000,000	-90,500,000		2.75%	\$19,400	\$530
2011											
1st Qtr		3.50%	20,000	38,000,000	0	96,000,000	-148,500,000	581,000,000			
2nd Qtr		3.50%	20,000	121,000,000	0	95,000,000	-122,500,000				
3rd Qtr		3.50%	20,100	87,000,000	0	96,000,000	-131,500,000				
4th Qtr		3.50%	20,100	70,000,000	0	96,000,000	-157,500,000		Schedule H		
CY 2011	7.5%	3.50%	20,100	316,000,000	0	383,000,000	-157,500,000		3.90%	\$19,600	\$760
2012											
1st Qtr		3.10%	17,800	56,000,000	0	86,000,000	-187,500,000	611,000,000			
2nd Qtr		3.10%	17,800	126,000,000	0	86,000,000	-147,500,000				
3rd Qtr		3.10%	17,900	91,000,000	0	87,000,000	-143,500,000				
4th Qtr		3.10%	17,900	74,000,000	0	88,000,000	-157,500,000		Schedule H		
CY 2012	6.6%	3.10%	17,900	347,000,000	0	347,000,000	-157,500,000		3.90%	\$20,100	\$780
2013											
1st Qtr		2.75%	15,900	58,000,000	0	78,000,000	-177,500,000	638,000,000			
2nd Qtr		2.75%	15,900	131,000,000	0	79,000,000	-125,500,000				
3rd Qtr		2.75%	16,000	94,000,000	0	79,000,000	-110,500,000				
4th Qtr		2.75%	16,000	77,000,000	0	80,000,000	-113,500,000		Schedule H		
CY 2013	5.9%	2.75%	16,000	360,000,000	0	316,000,000	-113,500,000		3.90%	\$20,500	\$800

**Summary:**

If the taxable wage base formula is changed from 100% to 50% of average annual wages:

Taxable wage base will be half of current formula, ranging from estimated \$19,400 for CY 2010 to \$20,500 for 2013

Taxes will range from \$190 to \$360 million per year.

The fund balance will be negative from second quarter 2011 through 2013 and Schedule H will be in effect from 2011 through 2013.

Federal loans can be used to continue to pay benefits when the fund is depleted.

Interest, which cannot be paid from the fund, will be due by September of each year beginning in 2011. This may involve a special tax assessment on employers.

Interest due, estimated by multiplying the end of September fund balance by a 4.6% annual interest rate is:

September 2011: \$6 million

September 2012: \$7 million

September 2013: \$5 million

When a state has an outstanding balance on January 1 of two consecutive years, federal unemployment tax credits are reduced: the first year, by 0.3%, and increased by an additional 0.3% for each following year that the loan balance remains.

**ALTERNATIVE 7: Cut maximum total benefits from 26 to 20 times weekly benefit amount from 2010**

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR (unadj)	IUR	13-wk Avg Claims	Hawaii Unemployment Compensation Fund				Adequate Reserve Fund	Avg Tax Rate	Taxable Wage Base	Avg Taxes @TWB
				INCOME Taxes	OUTGO Interest	BALANCE					
Projected from 4th quarter 2009											
2009											
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022			
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*				
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*				
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000		Schedule A		
CY 2009	7.4%	3.50%	20,400	42,100,000	12,100,000	383,200,000	125,200,000*		0.7%	\$13,000	\$90
2010											
1st Qtr		3.70%	21,200	5,000,000	200,000	89,000,000	41,400,000	385,000,000			
2nd Qtr		3.75%	21,400	107,000,000	300,000	91,000,000	57,700,000				
3rd Qtr		3.80%	21,700	93,000,000	400,000	94,000,000	57,100,000				
4th Qtr		3.70%	21,200	71,000,000	0	92,000,000	36,100,000		Schedule F		
CY 2010	8.1%	3.74%	21,400	276,000,000	900,000	366,000,000	36,100,000		2.75%	\$38,800	\$1,070
2011											
1st Qtr		3.50%	20,000	50,000,000	0	86,000,000	100,000	581,000,000			
2nd Qtr		3.50%	20,000	160,000,000	0	86,000,000	74,100,000				
3rd Qtr		3.50%	20,100	138,000,000	500,000	86,000,000	126,600,000				
4th Qtr		3.50%	20,100	105,000,000	500,000	87,000,000	145,100,000		Schedule H		
CY 2011	7.5%	3.50%	20,100	453,000,000	1,000,000	345,000,000	145,100,000		3.90%	\$39,100	\$1,520
2012											
1st Qtr		3.10%	17,800	74,000,000	1,700,000	77,000,000	143,800,000	611,000,000			
2nd Qtr		3.10%	17,800	142,000,000	1,700,000	78,000,000	209,500,000				
3rd Qtr		3.10%	17,900	123,000,000	2,500,000	78,000,000	257,000,000				
4th Qtr		3.10%	17,900	94,000,000	3,100,000	79,000,000	275,100,000		Schedule G		
CY 2012	6.6%	3.10%	17,900	433,000,000	9,000,000	312,000,000	275,100,000		3.30%	\$40,100	\$1,320
2013											
1st Qtr		2.75%	15,900	65,000,000	3,300,000	70,000,000	273,400,000	638,000,000			
2nd Qtr		2.75%	15,900	122,000,000	3,300,000	71,000,000	327,700,000				
3rd Qtr		2.75%	16,000	106,000,000	3,900,000	71,000,000	366,600,000				
4th Qtr		2.75%	16,000	81,000,000	4,400,000	72,000,000	380,000,000		Schedule F		
CY 2013	5.9%	2.75%	16,000	374,000,000	14,900,000	284,000,000	380,000,000		2.75%	\$41,000	\$1,130

**Summary:**

If the maximum total benefits are cut from 26 to 20 times weekly benefit amount from 2010:

Benefits are estimated to be reduced by 10%.

Taxes will range from \$275 to \$450 million per year.

The fund balance will be negative only in the first quarter of 2011.

**ALTERNATIVE 8A: Changes MWBA formula back to 70% of average weekly wage from 2010 (will automatically change back in 2011)**

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR (unadj)	IUR	13-wk Avg Claims	<i>Hawaii Unemployment Compensation Fund</i>			Adequate Reserve Fund	Avg Tax Rate	Taxable Wage Base	Avg Taxes @TWB
				INCOME Taxes	OUTGO Interest	BALANCE				
<b>Projected from 4th quarter 2009</b>										
<b>2009</b>										
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022		
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*			
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*			
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000	Schedule A		
<b>CY 2009</b>	<b>7.4%</b>	<b>3.50%</b>	<b>20,400</b>	<b>42,100,000</b>	<b>12,100,000</b>	<b>383,200,000</b>	<b>125,200,000*</b>	<b>0.7%</b>	<b>\$13,000</b>	<b>\$90</b>
<b>2010</b>										
1st Qtr		3.70%	21,200	5,000,000	200,000	96,000,000	34,400,000	385,000,000		
2nd Qtr		3.75%	21,400	107,000,000	300,000	98,000,000	43,700,000			
3rd Qtr		3.80%	21,700	93,000,000	300,000	101,000,000	36,000,000			
4th Qtr		3.70%	21,200	71,000,000	0	99,000,000	8,000,000	Schedule F		
<b>CY 2010</b>	<b>8.1%</b>	<b>3.74%</b>	<b>21,400</b>	<b>276,000,000</b>	<b>800,000</b>	<b>394,000,000</b>	<b>8,000,000</b>	<b>2.75%</b>	<b>\$38,800</b>	<b>\$1,070</b>
<b>2011</b>										
1st Qtr		3.50%	20,000	50,000,000	0	96,000,000	-38,000,000	581,000,000		
2nd Qtr		3.50%	20,000	160,000,000	0	95,000,000	27,000,000			
3rd Qtr		3.50%	20,100	138,000,000	500,000	96,000,000	69,500,000			
4th Qtr		3.50%	20,100	105,000,000	500,000	96,000,000	79,000,000	Schedule H		
<b>CY 2011</b>	<b>7.5%</b>	<b>3.50%</b>	<b>20,100</b>	<b>453,000,000</b>	<b>1,000,000</b>	<b>383,000,000</b>	<b>79,000,000</b>	<b>3.90%</b>	<b>\$39,100</b>	<b>\$1,520</b>
<b>2012</b>										
1st Qtr		3.10%	17,800	74,000,000	900,000	86,000,000	67,900,000	611,000,000		
2nd Qtr		3.10%	17,800	167,000,000	800,000	86,000,000	149,700,000			
3rd Qtr		3.10%	17,900	145,000,000	1,800,000	87,000,000	209,500,000			
4th Qtr		3.10%	17,900	111,000,000	2,500,000	88,000,000	235,000,000	Schedule H		
<b>CY 2012</b>	<b>6.6%</b>	<b>3.10%</b>	<b>17,900</b>	<b>497,000,000</b>	<b>6,000,000</b>	<b>347,000,000</b>	<b>235,000,000</b>	<b>3.90%</b>	<b>\$40,100</b>	<b>\$1,560</b>
<b>2013</b>										
1st Qtr		2.75%	15,900	77,000,000	2,800,000	78,000,000	236,800,000	638,000,000		
2nd Qtr		2.75%	15,900	122,000,000	2,800,000	79,000,000	282,600,000			
3rd Qtr		2.75%	16,000	106,000,000	3,400,000	79,000,000	313,000,000			
4th Qtr		2.75%	16,000	81,000,000	3,800,000	80,000,000	317,800,000	Schedule F		
<b>CY 2013</b>	<b>5.9%</b>	<b>2.75%</b>	<b>16,000</b>	<b>386,000,000</b>	<b>12,800,000</b>	<b>316,000,000</b>	<b>317,800,000</b>	<b>2.75%</b>	<b>\$41,000</b>	<b>\$1,130</b>

**Summary:**

If the maximum weekly benefit amount is changed to 70% of average weekly wage from 2010:

Benefits are estimated to be reduced by 3%.

Tax schedule will be F instead of G in 2013.



**ALTERNATIVE 8B: Changes MWBA formula to 60% from 2010**

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR	IUR	13-wk	Hawaii Unemployment Compensation Fund				Adequate		Taxable	Avg Taxes
			Avg	INCOME		OUTGO	BALANCE	Reserve	Avg Tax Rate	Wage Base	@TWB
	(unadj)		Claims	Taxes	Interest			Fund			
Projected from 4th quarter 2009											
2009											
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022			
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*				
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*				
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000		Schedule A		
CY 2009	7.4%	3.50%	20,400	42,100,000	12,100,000	383,200,000	125,200,000*		0.7%	\$13,000	\$90
2010											
1st Qtr		3.70%	21,200	5,000,000	200,000	88,000,000	42,400,000	385,000,000			
2nd Qtr		3.75%	21,400	107,000,000	300,000	90,000,000	59,700,000				
3rd Qtr		3.80%	21,700	93,000,000	400,000	92,000,000	61,100,000				
4th Qtr		3.70%	21,200	71,000,000	0	90,000,000	42,100,000		Schedule F		
CY 2010	8.1%	3.74%	21,400	276,000,000	900,000	360,000,000	42,100,000		2.75%	\$38,800	\$1,070
2011											
1st Qtr		3.50%	20,000	50,000,000	0	90,000,000	2,100,000	581,000,000			
2nd Qtr		3.50%	20,000	160,000,000	0	90,000,000	72,100,000				
3rd Qtr		3.50%	20,100	138,000,000	500,000	90,000,000	120,600,000				
4th Qtr		3.50%	20,100	105,000,000	500,000	91,000,000	135,100,000		Schedule H		
CY 2011	7.5%	3.50%	20,100	453,000,000	1,000,000	361,000,000	135,100,000		3.90%	\$39,100	\$1,520
2012											
1st Qtr		3.10%	17,800	74,000,000	1,600,000	81,000,000	129,700,000	611,000,000			
2nd Qtr		3.10%	17,800	142,000,000	1,600,000	81,000,000	192,300,000				
3rd Qtr		3.10%	17,900	123,000,000	2,300,000	82,000,000	235,600,000				
4th Qtr		3.10%	17,900	94,000,000	2,800,000	82,000,000	250,400,000		Schedule G		
CY 2012	6.6%	3.10%	17,900	433,000,000	8,300,000	326,000,000	250,400,000		3.30%	\$40,100	\$1,320
2013											
1st Qtr		2.75%	15,900	65,000,000	3,000,000	73,000,000	245,400,000	638,000,000			
2nd Qtr		2.75%	15,900	122,000,000	2,900,000	74,000,000	296,300,000				
3rd Qtr		2.75%	16,000	106,000,000	3,600,000	74,000,000	331,900,000				
4th Qtr		2.75%	16,000	81,000,000	4,000,000	75,000,000	341,900,000		Schedule F		
CY 2013	5.9%	2.75%	16,000	374,000,000	13,500,000	296,000,000	341,900,000		2.75%	\$41,000	\$1,130

**Summary:**

If the maximum weekly benefit amount is changed to 60% of average weekly wage from 2010:

Benefits are estimated to be reduced by 6%.

Tax schedule G instead of H in 2012, F instead of G in 2013.

**ALTERNATIVE 8C: Changes MWBA formula to 50% from 2010**

Based on UHERO 9/25/2009 projected total unemployment rates: 2009 7.4%; 2010 8.1%; 2011 7.5%; 2012 6.6%; 2013 5.9%

	TUR (unadj)	IUR	13-wk Avg Claims	Hawaii Unemployment Compensation Fund				Adequate Reserve Fund	Avg Tax Rate	Taxable Wage Base	Avg Taxes @TWB
				INCOME Taxes	OUTGO Interest	BALANCE					
Projected from 4th quarter 2009											
2009											
1st Qtr		3.25%	19,313	4,990,588	4,532,665	90,247,145	352,215,516*	256,821,022			
2nd Qtr		3.56%	21,088	21,851,384	3,484,701	100,051,509	279,785,005*				
3rd Qtr		3.52%	20,694	9,271,990	2,788,122	95,894,998	214,875,814*				
4th Qtr		3.55%	20,600	6,000,000	1,300,000	97,000,000	125,200,000		Schedule A		
CY 2009	7.4%	3.50%	20,400	42,100,000	12,100,000	383,200,000	125,200,000*		0.7%	\$13,000	\$90
2010											
1st Qtr		3.70%	21,200	5,000,000	200,000	80,000,000	50,400,000	385,000,000			
2nd Qtr		3.75%	21,400	107,000,000	300,000	82,000,000	75,700,000				
3rd Qtr		3.80%	21,700	93,000,000	500,000	84,000,000	85,200,000				
4th Qtr		3.70%	21,200	71,000,000	0	82,000,000	74,200,000		Schedule F		
CY 2010	8.1%	3.74%	21,400	276,000,000	1,000,000	328,000,000	74,200,000		2.75%	\$38,800	\$1,070
2011											
1st Qtr		3.50%	20,000	50,000,000	0	82,000,000	42,200,000	581,000,000			
2nd Qtr		3.50%	20,000	160,000,000	0	82,000,000	120,200,000				
3rd Qtr		3.50%	20,100	138,000,000	500,000	83,000,000	175,700,000				
4th Qtr		3.50%	20,100	105,000,000	500,000	83,000,000	198,200,000		Schedule H		
CY 2011	7.5%	3.50%	20,100	453,000,000	1,000,000	330,000,000	198,200,000		3.90%	\$39,100	\$1,520
2012											
1st Qtr		3.10%	17,800	74,000,000	2,400,000	74,000,000	200,600,000	611,000,000			
2nd Qtr		3.10%	17,800	142,000,000	2,400,000	74,000,000	271,000,000				
3rd Qtr		3.10%	17,900	123,000,000	3,300,000	75,000,000	322,300,000				
4th Qtr		3.10%	17,900	94,000,000	3,900,000	75,000,000	345,200,000		Schedule G		
CY 2012	6.6%	3.10%	17,900	433,000,000	12,000,000	298,000,000	345,200,000		3.30%	\$40,100	\$1,320
2013											
1st Qtr		2.75%	15,900	65,000,000	4,100,000	67,000,000	347,300,000	638,000,000			
2nd Qtr		2.75%	15,900	122,000,000	4,200,000	68,000,000	405,500,000				
3rd Qtr		2.75%	16,000	106,000,000	4,900,000	68,000,000	448,400,000				
4th Qtr		2.75%	16,000	81,000,000	5,400,000	69,000,000	465,800,000		Schedule F		
CY 2013	5.9%	2.75%	16,000	374,000,000	18,600,000	272,000,000	465,800,000		2.75%	\$41,000	\$1,130

**Summary:**

If the maximum weekly benefit amount is changed to 50% of average weekly wage from 2010:

Benefits are estimated to be reduced by 14%.

Tax schedule G instead of H in 2012, F instead of G in 2013.

## Estimated Effect of Reducing Hawaii Regular UI Maximum Duration from 26 to 20 weeks

### Summary:

Cutting the maximum weeks of benefits from 26 to 20 would result in an estimated 10% reduction in total benefits.

For calendar year 2010, currently projected trust fund benefit outgo of \$410 million is estimated to decrease by \$41 million.

For calendar year 2010 an estimated 24,000 claimants (45% of all claimants) would be affected by the cut in maximum weeks.

Effect on trust fund: Would still go to Schedule H for 2011.

### Analysis Data:

Exhaustion rate (12 month moving average Exhaustees as a percent of First Payments) has been increasing and reached 38.7% in September 2009.

2009	
Jan	23.6%
Feb	24.3%
Mar	25.5%
Apr	27.6%
May	29.6%
Jun	32.3%
Jul	34.2%
Aug	36.8%
Sep	38.7%

Assume 45% of claimants affected--38% current exhaustees plus estimated additional 7% who receive 21 to 25 weeks.

Decrease benefits by 6 weeks for 45% of claimants

- 26 current maximum weeks
- 6 weeks reduced from maximum (26 minus 20)
- 23% percent cut in benefits for exhaustees (6 divided by 26) ; exhaustees who currently receive 26 weeks receive 6 weeks less, or a 23% cut in total benefits.
- 45% percent of claimants affected
- 10% percent cut in total benefits (23% x 45%); 45% of claimants each receive 23% less benefits.

Estimated cut in total benefits for CY 2010

IUR	Avg Wkly Benefits	Weeks Compensated	Total Benefits	
3.74%	\$416	985,000	\$410 M	(Contributing Employers only)
			\$427 M	(All Programs)
Estimated cut in total benefits (10%):			\$41 M	(Contributing Employers only)
			\$43 M	(All Programs)

Estimated claimants affected in calendar year 2010:

- 54,000 Estimated first payments (4500/month \* 12)
- 45% Percent of claimants affected
- 24,000 Estimated exhaustees affected by cut in maximum benefits (first payments \* 45%)

### Effect on Trust Fund:

Fund currently projected at -\$5 million at end of 2010; \$41 million decrease in fund outgo would keep fund positive at \$36 million at end of 2010.

Even with \$36 million at end of 2010 would still trigger on Schedule H for 2011.